REMARKS

This amendment responds to the Office Action mailed October 22, 2008. Claims 1-11 were pending. Claims 1-11 have been amended to clarify the inventions claimed therein. Claims 1-11 remain pending.

Claims Satisfy 35 U.S.C. § 101

Claims 2 and 9 stand rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter because these claims recite software and data and lack structural specificity necessary for execution. The Applicant has amended claims 2 and 9 to more specifically recite structural limitations. Reconsideration and withdrawal of the rejection of claims 2 and 9 is respectfully requested.

Claims Satisfy 35 U.S.C. § 112, ¶ 2

Claims 2 and 9 stand rejected under 35 U.S.C. § 112, ¶ 2 as failing to particularly point out and distinctly claim the subject matter which Applicant regards as the invention. The Applicant has amended claims 2 and 9 to more particularly point out and distinctly claim the subject matter which Applicant regards as the invention. Reconsideration and withdrawal of the rejection of claims 2 and 9 is respectfully requested.

Claims 1-11 Are Patentable Over Barnes et al.

The Examiner rejected claims 1-11 under 35 U.S.C. § 102(b) as being anticipated by U.S. Patent No. 5,970,475 to Barnes et al. [hereinafter "Barnes et al."]. The Examiner contends that

- 13 -

Barnes et al. discloses all of the elements recited in the claims at issue. The Applicant respectfully disagrees with the Examiner's characterization of this reference vis-à-vis the claims at issue.

In support of this rejection, the Examiner cites the following passages from Barnes et al., which are reproduced below for the convenience of the reader:

[57]   ABSTRACT

An Electronic Commerce system enables corporate purchasers and suppliers to electronically transact for the purchase and supply of goods/services. The system includes three major hardware and software components: buyer, supplier and bank/administration. To enable suppliers to supply goods and services online and process electronic orders, several software components are used for operating a supplier processor server and a supplier catalog server. To enable corporate purchasers to purchase products and services online, preferably over the Internet, from suppliers, software is used for operating a customer server to which multiple users may log-on and access the supplier server. An Automated Clearing House (ACH) server may be used to interface with a bank's (ACH) systems. A service bureau that supplies the hardware and/or software components and assists to administer the system includes a transaction counter, which records transactions and charges the buyers and/or suppliers based on the number of purchase orders and/or invoices issued.

Although the present invention has been described in relation to particular embodiments thereof, many other variations, modifications and other uses will become apparent in those skilled in the art. It is preferred that the present invention be limited not by the specific disclosure herein, but by the scope of the appended claims.

- 14 -

Best Available Copy

FIG. 3

- 15 -
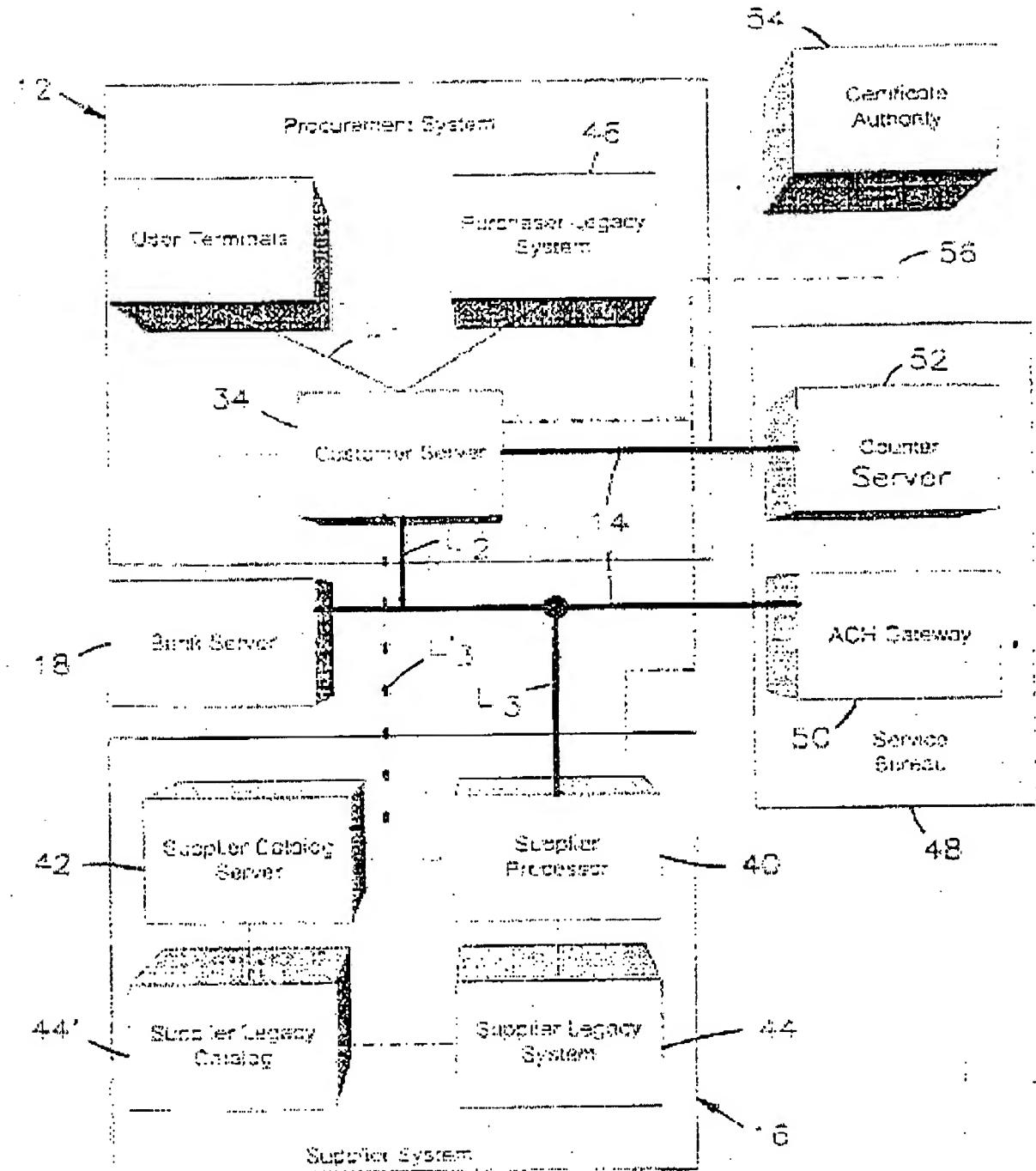
1

ELECTRONIC PROCUREMENT SYSTEM
AND METHOD FOR TRADING PARTNERS

BACKGROUND OF THE INVENTION

1. Field of the Invention

The present invention generally relates to electronic com-
merce systems and, more specifically, to a procurement
system and method for trading partners which enables a
plurality of users within a purchasing organization to pro-
cure goods/services from pre-arranged suppliers, consistent
with the level of authorization given to each user and enables
automated payments to the supplier by a bank after the
goods/services have been delivered.

2. Description of the Prior Art

In any business, and particularly within large organiza-
tions having hundreds or even thousands of employees, the
procurement of "non-production" or "non-custom" products
and services in high volume is generally a time consuming
process and a costly one. In various industry surveys,
companies cite the costs of processing a requisition and a
purchase order as anywhere between $25 and $300; a cost
that often exceeds the value of the goods being ordered.

Ordering of non-production goods in high volumes, such
as office supplies and desktop hardware, can be a time-
consuming and expensive process for suppliers as well. For
example, suppliers have to be increasingly competitive in
today's market as their customers are constantly seeking
immediate turn-around on orders and better overall customer
service. However, suppliers find that the process of phone or
paper purchase orders is costly because of the administration
associated with order processing, can cause delays in order
fulfillment, and is prone to errors. Additionally, paper-based
marketing in the form of catalogs and price lists is expensive
and makes it difficult to keep customers up-to-date with the
latest product availability and pricing.

- 16 -

Ultimately, all these factors impact buyers through higher prices or poor service. Buyers have to implement time-consuming processes to prevent purchases that exceed employee limits. As a result, the cost of processing requisitions and purchase orders often exceeds the value of the goods being purchased. Buying organizations also find it difficult to prevent employees from purchasing from non-preferred suppliers and thus do not get the advantage of negotiated prices. This adds to buyers' costs and reduces business for their preferred suppliers.

There is, therefore, an extremely large overhead factor associated with the procurement of products and services which, in a large organization, can cost the company thousands or even millions of dollars a year.

There is a need, therefore, for a simple automated procurement system that will reduce the amount of paper needed to be handled and enable the employees within an organization to acquire the goods and services that they require, consistent with their needs to perform their tasks. An automated system must be secure so that it is not abused by employees within the organization or parties outside of the organization.

There have been a number of obstacles in establishing an effective commerce system. Systems disclosed in previously issued patents have sought to address some of these obstacles. One problem is the "user-friendliness" of the systems, or the ease of use of the systems so that each person that needs to requisition a product or service can do so in an easy and efficient way. Another problem has been to develop a system that can be used with existing computer systems.

2

This is an important consideration since many businesses have already made substantial investments in "legacy" systems, including, main frames, mini computers, and micro computers. These systems frequently use different operating systems and different data formats. Another problem has been to develop user interface that is secure from abuse from within and from outside the buyer organization.

One example of an on-line system for processing business transactions is disclosed in U.S. Pat. No. 4,799,156 for an Interactive Market Management System. The system discloses a plurality of buyers and a plurality of sellers which can be linked to each other by means of an interactive market management system (IMMS) for interactive communications. Each of the participating entities which is a subscriber to the system must always operate through the IMMS, which serves as a focal point or hub through which all transactions must be funneled. The patent does not address the need or ability of individuals within an organization to be provided with different levels of authorization so that different users within the same organization or "buyer" can access different types and/or spend different amounts on goods and/or services.

In U.S. Pat. No. 5,557,518, a system is described for
trusted agents for open electronic commerce. However, this
patent involves the use of "money modules" to create a
secure transaction environment for both the buyer and the
seller of electronic merchandise and services. The primary
objective of the patent is to provide a system which allows
customers to buy electronic merchandise or services on
demand without enrolling in an electronic community.
According to this patent, a customer and supplier, trusted
agent, establish a secure session. The customer trusted agent
communicates with a first money-module and the supplier
trusted agent communicates with the second money-module.
The supplier trusted agent delivers the electronic merchan-
dise. The first money module transmits electronic money to
the second money module. Upon successful completion of
the money payment, the first money module informs the
customer trusted agent, and the second money module
informs the supplier trusted agent. The supplier then logs the
sale and the customer may use the purchased electronic
merchandise. The patent appears to be restricted to the sale
of electronic merchandise.

In U.S. Pat. No. 5,319,542, a system for ordering items
using an electronic catalog is disclosed. However, the dis-
closure is primarily concerned with establishing a private
catalog resident on a customer's computer system. The
customer can electronically requisition a product based on
the information provided in the catalog and route or requi-
sition through the appropriate approval process within the
enterprise. However, requisitions must then be processed
through the customer's procurement system and transmitted
electronically as purchased orders to the supplier. Therefore,
aside from establishing private catalogs which may be used
by the customer, the system disclosed in the patent does not
eliminate many of the inefficiencies and expenses involved
with requisitioning products and/or services by many
employees in a large organization.

In U.S. Pat. No. 5,592,378, a computerized order entry
system and method is disclosed which includes a plurality of
servers, data entry devices, back-end systems and data bases.
The computer order entry system is intended to permit
placement of orders by capturing order information and
storing the order information through the data capture
mechanism. This is accomplished by a sequence of steps of
multiple search categories. The patent does not address the
ready accessibility and ease of use by many employees

- 19 -

3

within an organization to requisition goods/services from a
pre-arranged trading partner or multiple partners.

SUMMARY OF THE INVENTION

It is an object of the present invention to provide an
electronic procurement system for and method of initiating
and consummating sales transactions of goods and/or ser-
vices by buyers and suppliers (as pre-established trading
partners).

It is another object of the present invention to provide an
electronic procurement system as aforementioned which is
easy to implement and to use.

It is still another object of the present invention to provide
an electronic procurement system and method, as suggested
in the previous objects, which is particularly suitable with
buying organizations having a large number of employees
each of which has well-defined authorizations for the pur-
chase of goods/services in order to control such purchases
and prevent abuses from within the organization.

It is yet another object of the present invention to provide
an electronic procurement system, as suggested in the pre-
vious objects, which enables each user within a purchasing
organization to use an Intranet connection to access the
organization's Intranet Server as a means for accessing the
supplier's server via an Internet connection by using an
Internet browser.

It is a further object of the present invention to provide a
secure electronic real-time purchasing transactions between
a buyer and supplier without third-party intervention.

It is still a further object of the present invention to
provide an electronic procurement system, of the type under
discussion, which permits any buyer and supplier organiza-
tions to establish an electronic commerce relationship with
each other without regard to other establishments or
enterprises, that may likewise establish electronic commerce
relationships with the same or other buyer and supplier
organizations.

It is yet a further object of the present invention to provide
an electronic commerce procurement system which permits
manual or optional automated payments by the buyer orga-
nization's bank to the supplier or supplier's bank after
goods/services have been ordered and delivered to the buyer.

- 20 -

In order to achieve the above objects, as well as others
which will become apparent hereinafter, an electronic com-   45
merce system for procuring goods/services by a plurality of
users within an organization, according to the invention,
comprises a plurality of terminals. A customer server is
connectable to each of said terminals and includes log-on
means for providing access to a user by means of one of said   50
terminals only if the user can be properly authenticated by
the customer server. A supplier system is used which
includes a supplier catalog server for storing data represent-
ing a supplier catalog of goods/services that are available for
purchase by an authorized user in the customer organization   55
and a supplier processor server for processing orders
received from the authorized user within the customer
organization. The supplier catalog server and the supplier
processor server may be combined into one server. Said
supplier system is directly accessible by said customer   60
server through an Internet connection. Security means is
provided within said servers which limit transactions to
entities that have pre-arranged relationships for displaying
supplier catalog information to an authorized user within the
customer organization for issuing a purchase order by the   65
user to said supplier system. A bank server may be used that
is accessible by said customer server through an Internet

- 21 -

4

connection. Payments to the supplier by the customer organization may optionally be made through said bank server after the goods/services have been delivered to the user and an invoice has been issued to the customer organization.

Each user is preferably assigned an organization user profile which specifies a level of authorization for approval of the acquisition of goods/services from a pre-determined supplier. Said user terminals include means for displaying products/services available for acquisition from the at least one supplier and is consistent with the user's level of authorization for the acquisition of goods/services from said supplier. The supplier system includes a catalog and an order processor, said catalog containing information regarding all of the suppliers' goods made available to the customer organization, including pricing, discounts, availability, delivery information, etc., based on the organization's profile submitted to the supplier and negotiated agreement between the partners. A communication link is provided for selectively accessing, for viewing and downloading by a user, information from the supplier's catalog to the user's terminal consistent with the user's authorization level. Said customer and supplier systems are programmed to establish a cryptographically secure session for ordering and filling orders for goods, by means of said order processor from said supplier only when an authorized user seeks to acquire one or more products which the user is authorized to purchase.

BRIEF DESCRIPTION OF THE DRAWINGS

The features and advantages of the present invention will become apparent from the following description of the invention, taken together with the accompanying drawings, in which:

- 22 -

FIG. 1 is a schematic representation of the electronic commerce (EC) system in accordance with the present invention, illustrating the major participants and primary electronic transactions that flow in the use of the system;

FIG. 2 is a more detailed schematic representation of the buyer and seller organizations shown in FIG. 1, and shows system connectivity between a user and a supplier during a purchasing transaction;

FIG. 3 is a block diagram of the EC system shown in FIG. 1, showing the major components at the buyer and seller locations, and also showing a service bureau and certificate authority used in the system;

FIG. 4 is a flow diagram illustrating the connectivities between the primary blocks shown in FIG. 3;

FIG. 5 is a block diagram illustrating administrator and user control at the buyer or procurement system; and also showing the transactions conducted by the primary system participants during a purchasing transaction;

FIG. 6 is a detailed block diagram of the EC system, illustrating the major software modules residing in the hardware asserted at the buyer and supplier locations;

FIG. 7 is a generalized block diagram illustrating the procedure taken by a buyer and supplier to obtain public/private keys from a certification authority for security encryption/decryption of information flow in the EC system;

FIG. 8 is a block diagram illustrating ACH security implementation between the procurement system and the bank server;

FIG. 9 is a flow chart for initial log-on by a user at a terminal of the buyer organization to gain access to the "main menu" of the customer server;

FIG. 10 is a block diagram representing the "Main Menu" at a user terminal after successful log-on by the user at the buyer location;

Col. 19, lines 52-58

as a moniker in the URL during the initial connection. The
Supplier Server can authenticate this certificate to confirm
that a valid user is connecting to the catalog. Also, a buyer
profile code is sent as a moniker to the Supplier Catalog
Server 42. The Supplier Catalog Server 42 uses Active
Server Pages 70 to dynamically create HTML catalog pages
using data from its resident SQL Server database 98. By
evaluating the buyer's profile, the Supplier Catalog Server
42 can custom display catalog information and pricing
specific to the buyer or buyer's organization.

Col. 8, lines 36-38

customer using HTMAS authentication.

The Procurement System 12 serves to authorize users 24
to display catalogs, search and select goods, order inquiries
and request quotations. The Supplier System 16 processes
orders, queries, and sends invoices. The Bank Server 18
processes ACH settlements and the Counter 52 counts

Col. 7, lines 25-43

In addition, a Java-enabled Web browser is required,
running at buyer sites on buyer-supplied PC class computers
and communicating with the buyer's Customer Server 34,
typically over the buyer's Intranet/LAN L₁. Buyer and
supplier hardware running these servers use MICROSOFT
WINDOWS NT SERVER 4.0® and several other
MICROSOFT® products in support of the electronic com-
merce (EC) system.

To enable corporate purchasers to purchase goods and
services online, the Electronic Commerce may be accessed
using any Java-enabled browser for purchasing and purchase
administration functions.

To enable suppliers to sell goods and services online by
means of an electronic catalog, Electronic Commerce uses
several software applications having two major supplier
components:

(a) the catalog system 42, 44' that provides all catalog
   format, maintenance and browsing capabilities; and

(b) the supply order processor system 40 that provides
   connectivity to legacy supply system 44 for order
   verification and notification.

- 24 -

Col. 18, lines 42-45

40 5. Authenticated user is presented with his purchasing
      profile details.

    6. For each item selected, the line item detail is sent from
       the Supplier Catalog Server **24** to populate the purchase
       requisition.

45 7. User reviews the purchase requisition that is sent to

Col. 18, lines 47-67

45 7. User reviews the purchase requisition that is sent to
      Customer Server for processing.

    8. The Customer Server **34** verifies the purchase requisi-
       tion against the user's profile (including spend limit).
       (a) If the order is approved, the Customer verifies the
50   purchase order.
       (b) If the order is not approved, the order is routed to
           the user's supervisor for approval. (followed by step
           9).

55 9. An EDI Purchase Order (850) is generated.

    10. The EDI Purchase Order is encrypted using the public
        key from the supplier's certificate, signed using the
        Customer Server private key and placed in a PKCS #7
        along with the Customer Server certificate. The
60   encrypted/signed Purchase Order is sent to the Sup-
        plier.

    11. The Supplier's Server **40** decrypts the purchase order
        with its private key, and verifies the signature by
        decrypting it with the public key contained in the
65   buyer's certificate contained in the PKCS #7.

    12. The Supplier Server **40** stores the buyer's public key
        for use in encrypting messages back to the buyer.
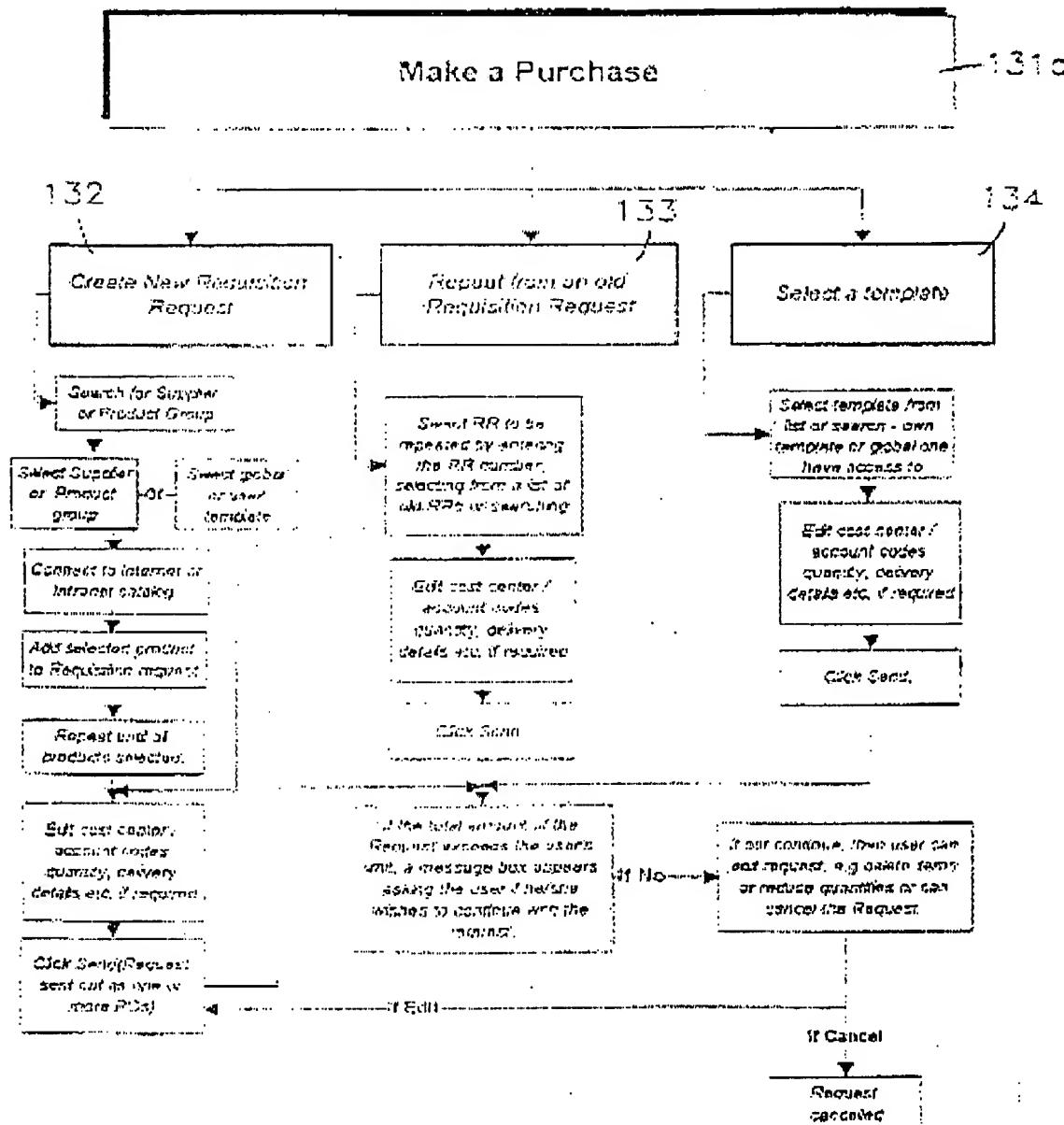
FIG. 11

Col. 22, lines 46-60

45 of the functions shown.

FIG. 11 illustrates the options when an authenticated user selects the "purchase" option 131a in FIG. 10. The user can create a new requisition request (132), repeat an old requisition request (133) or select a template (134). When select-
50 ing a template at 134 in FIG. 11, the user can also create a new template (134a) or edit an existing template (134b), as suggested in FIG. 12. In each case, the user is prompted to provide instructions or information. The steps are, in each instance described in the blocks. In each case, it will be
55 noted, the user's request is compared with the authorized limits for the user. If any of these limits or parameters are exceeded, the system interrupts the procedure and asks the user if the user wishes to proceed with the request. If the answer is "no", the user may edit the request to bring it with the specified limits. If the answer is "yes", the requests sent
60 to a supervisor's terminal for review. When a user is also an

Col. 9, lines 60-65

The ACH Gateway 50 enables the supplier system 16 to 60 interface with a bank's Automated Clearing House (ACH) systems, when used. The ACH Gateway 50 may be located at the service bureau 48. The counter 52 records transactions and charges buyer's "transaction fees" based on purchase orders. 65

Col. 9, line 7-9

1. Security—for encryption, decryption and 5 authentication;
2. Reporting—for providing management and information reports;
3. Monitoring, logging and audit trails;
4. Legacy Integration—for integration with existing sys- 10

Accounting Reports

131e

142

Standard Interim Reports

Audit Reports

143

User defined reports

144

—Supplier Payments History   —Posting reports

—Open Purchase Orders   —Audit trail

—Scheduled Payments

—Supplier Activity

—Sales tax calculation

—Supplier transaction list

—Credit card transactions by card number

FIG. 24

- 28 -
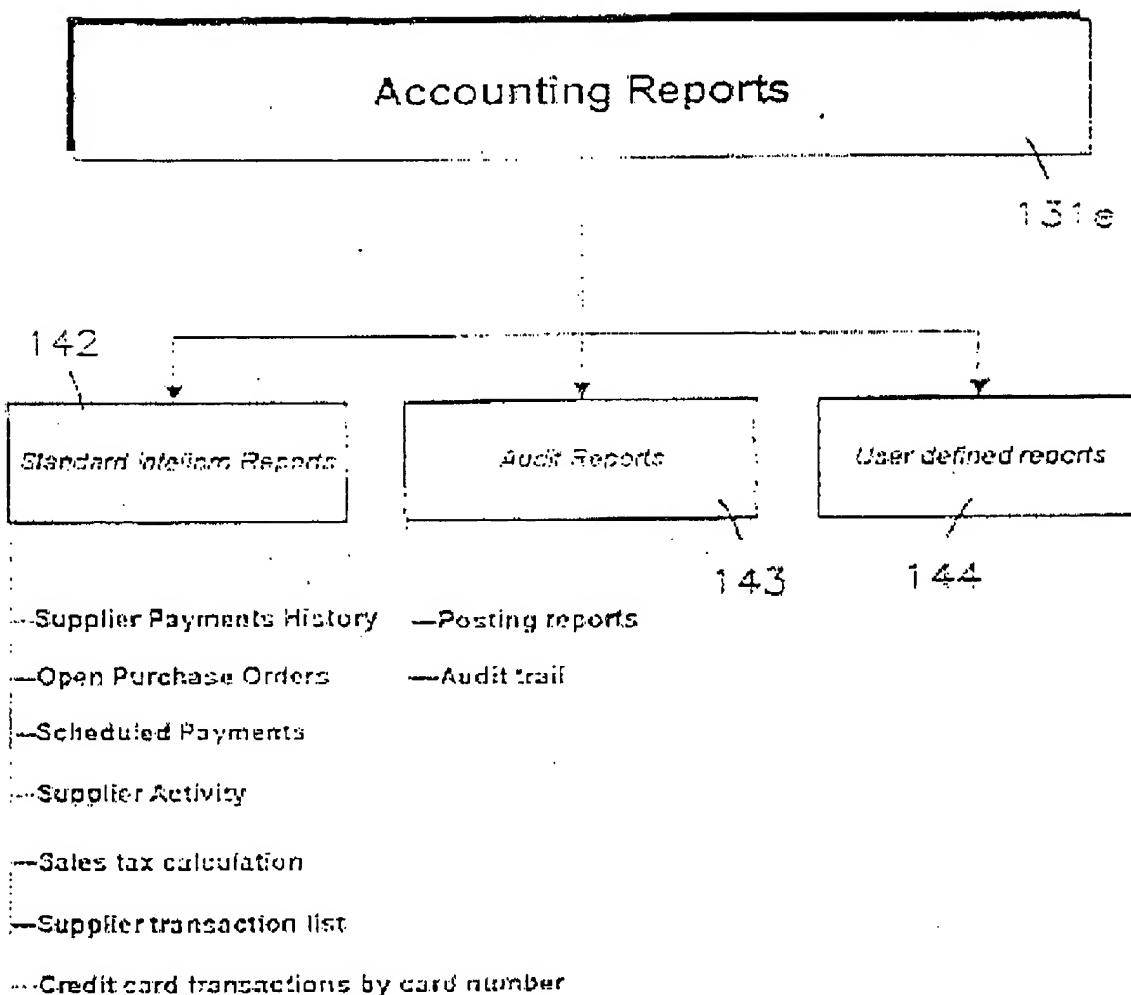
Background on Anticipation

To anticipate a claim, a single prior art reference must expressly or inherently disclose each claim limitation. But disclosure of each claim element is not quite enough ... anticipation requires the presence in a single prior art disclosure of all elements of a claimed-invention *arranged as in the claims*. *Finisar v. DirecTV*, 523 F.3d 1323, 1334 (Fed. Cir. 2008) [emphasis supplied].

The reference must enable one to make the claimed invention without further research or experimentation. *In re Hall*, 781 F.2d 897, 899 (Fed. Cir. 1986). The disclosure in an assertedly anticipating reference must be adequate to enable possession of the desired subject matter. *It is insufficient to name or describe the desired subject matter*, if it cannot be produced without undue experimentation. *Elan Pharmaceuticals, Inc. v. Mayo Foundation for Medical Educ. and Research*, 346 F.3d 1051, 1055 (Fed. Cir. 2003) [emphasis supplied].

Barnes et al. Fails to Teach Each Element Arranged as in the Claims

In the present invention, electronic catalog creation and access to the customer are performed by applying the contract terms between the purchasing entity and the vendor – both intrinsic and extrinsic terms. In other words, contract terms specific to each vendor are automatically translated into the specific vendor catalog which is made available to the customer for purchase. Thus, the electronic catalog specifies all terms necessary for the customer based on the pre-established contract between the vendor and the customer's company, including all delivery terms, taxes, duties, commercial standards, company policies, etc.

Additionally, the electronic procurement system intelligently applies the customer's pre-negotiated service level delivery agreements to ensure full compliance with these agreements. The host architecture has an access interface where the customer's authorized users can access

web documents, some of which contain among other things, the commercial terms applicable to a set of elements the user may select to purchase.

The disclosed method of providing electronic procurement to a purchasing entity also includes the automated process of collecting a fee from the purchasing entity that is based on the value of the contents of the electronic shopping basket. This is a fully automated process for extracting the pre-negotiated commercial terms from the purchase price. The items in the catalog are pre-priced by the decision-engine coupled to the database. The pricing is based upon the purchaser's delivery location and customer's pre-negotiated OEM price, *i.e.*, the intrinsic and extrinsic terms. Pricing is calculated in the customer's local currency and reflects the local tariffs, duties, taxes, trade block adjusters and any other country specific commercial terms – both extrinsic terms and intrinsic terms.

The e-procurement system enables the customer to transact in multi-currency/multi-vendor/multi-OEM/multi-country catalogs. The e-procurement system has the capability to expose the customer catalogs both globally and locally based on pre-negotiated customer contractual terms. These features are included in some of the claim elements that will be discussed below.

Referring specifically to independent claim 1, this claim includes the recitation:

> constructing an electronic catalog having one or more pages by selecting elements to be included in the pages, and providing commercial terms applicable to the included elements, where the selecting and providing steps are performed consistent with contract terms between the purchasing entity and the vendor, *wherein said commercial terms include both intrinsic terms and extrinsic terms...*

[emphasis supplied].

As set forth in the specification in paragraphs [0087]-[0088], the key commercial terms are used to customize the electronic catalog for a given user and these key commercial terms include both intrinsic and extrinsic terms. Intrinsic terms include listing and pricing, whereas extrinsic terms include terms that are derived indirectly from the contract or are a consequence of implementation of the contract, such as taxes, duties, tariffs, laws, and in-country business rules.

Barnes et al. fails to teach the establishment of commercial terms with both intrinsic terms and extrinsic terms between the company and the vendors, which intrinsic and extrinsic terms are then used to control the display of catalog items to a user and purchasing of an item from the catalog when a user of the company purchases items through the system. With regard to claims 2-11, similar limitations appear.

Additionally, as recited in all of the independent claims, the order is forwarded to a vendor for fulfillment with the specified intrinsic and extrinsic terms. This ensures full compliance with the company's pre-established contract including all commercial terms.

Still, as recited in all of the independent claims, an access is provided that enables an authorized user to view all of these key terms, both intrinsic and extrinsic terms, applicable to a specific set of items. Barnes et al. fails to disclose this capability.

In short, the claimed invention provides a complete end-to-end procurement system that creates an electronic catalog based on terms intrinsic to a contract between a user's organization and a supplier, as well as terms extrinsic to the contract, but nevertheless equally important to the user. The user is also able to view these terms when deciding to place an order. The purchase order is created with both of these intrinsic and extrinsic terms and forwarded to the supplier for fulfillment, thereby guaranteeing the desired contractual terms as well as those terms resulting

- 31 -

U.S. Patent Application No. 10/052,900
Attorney Docket No. 1011/1

from the specific user's purchase are part of the resulting contract with the vendor. Barnes simply fails to disclose such a electronic procurement system.

As such, Barnes et al. fails disclose all elements arranged as in the claims at issue; hence Barnes et al. fails to anticipate the claims at issue. Therefore, reconsideration and withdrawal of the rejection of claims 1-11 based on Barnes et al. is respectfully requested.

CONCLUSION

The Applicant respectfully submits this application is in condition for allowance and requests issuance of a Notice of Allowance.

Although not believed necessary, the Office is hereby authorized to charge any fees required under 37 C.F.R. § 1.16 or § 1.17 or credit any overpayments to the deposit account of MICHAEL P FORTKORT PC, Deposit Account No. 50-3776.

In the event the prosecution of this Application can be efficiently advanced by a phone discussion, it is requested that the undersigned attorney be called at (703) 435-9390.

Respectfully submitted,
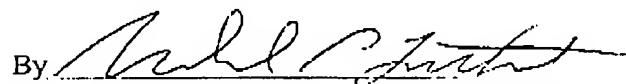
By _____   Date: <u>March 30, 2009</u>
Michael P. Fortkort   (Reg. No. 35,141)

MICHAEL P FORTKORT PC
The International Law Center
13164 Lazy Glen Lane
Oak Hill, Virginia 20171

Please direct telephone calls to:
Michael P. Fortkort
703-435-9390
703-435-8857 (facsimile)

- 32 -